

ANNUAL  
REPORT

1980

NOTICE OF MEETING  
INFORMATION CIRCULAR

**C**  
**HIMO**  
**GOLD MINES**  
**L I M I T E D**

FOR THE YEAR ENDED DECEMBER 31, 1980





## DIRECTORS

M. P. Connell ..... Toronto, Ontario  
D. J. Hains ..... Oakville, Ontario  
J. C. Lamacraft ..... Toronto, Ontario  
R. J. Metcalfe ..... Toronto, Ontario  
C. C. Coolican ..... Toronto, Ontario

## OFFICERS

M. P. Connell ..... Chairman of the Board  
J. C. Lamacraft ..... President and  
Chief Executive Officer  
C. C. Coolican ..... Executive Vice-President  
J. A. Kalman ..... Vice-President  
J. A. Patterson ..... Vice-President and  
Secretary  
J. S. Adams ..... Treasurer

## HEAD OFFICE

Suite 1010, 85 Richmond Street West  
Toronto, Ontario  
M5H 2G1

## TRANSFER AGENT AND REGISTRAR

National Trust Company, Limited  
Toronto, Ontario

## AUDITORS

Thorne Riddell,  
Toronto, Ontario

## BANKERS

The Toronto-Dominion Bank  
Toronto, Ontario


## SOLICITORS

Davies, Ward & Beck  
Toronto, Ontario  
McCarthy & McCarthy  
Toronto, Ontario

## ANNUAL MEETING

June 25, 1981  
9:15 a.m.  
Simcoe A Room,  
The Board of Trade of Metropolitan Toronto  
Third Floor,  
Adelaide Street West entrance, First Canadian Place,  
Toronto, Ontario





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# Chimo Gold Mines Limited

## Directors' Report to Shareholders

Your directors are pleased to submit the Company's Annual Report for the year ended December 31, 1980.

### Financial

Net income for the year was \$631,046 or \$0.19 per share compared to \$367,668 or \$0.11 per share in 1979.

Working capital, together with the market value of investments carried as non-current assets totalled \$8,930,049 at year end.

### The Iron Bay Trust

Your Company's major asset is its 1,000,000 units of The Iron Bay Trust. Royalty income from this source during 1980 amounted to \$666,200 versus \$596,300 in 1979.

The Trust owns an 80% reversionary interest in an iron ore property known as the Griffith Mine near Red Lake, Ontario, which is leased to Stelco Inc. until April 30, 2040. The mine, which commenced production in 1969 has an annual production capacity of approximately 1.5 million tons of iron ore pellets per annum; actual production during 1980 was 1,484,000 tons.

The lease agreement with Stelco provides for escalation of the royalty rate payable to the Trust proportionately with increases in the price of iron ore pellets. The royalty rate as of December 31, 1979 was \$1.08 per ton; this was increased by 8.6% to \$1.17 per ton in early 1980, and was further increased by 9.3% to \$1.28 per ton in early 1981. It is expected that future increases in the royalty rate will keep pace with inflation.

### Mineral Exploration

The Company participates to the extent of 15% in the Conwest Group's 12.5% equity and 3% gross production royalty interest in the Conwest Canadian Uranium Exploration Joint Venture now managed by Eldorado Nuclear Limited. Total expenditures in 1980 including contributions by Saskatchewan Mining Development Corporation and Denison Mines Limited on all the properties was \$1,200,000. No significant uranium occurrences were located in Saskatchewan; however, several new uranium bearing boulder trains and a second uranium occurrence was discovered on the Quebec permits. Limited drilling of the initial uranium find in Quebec failed to produce favourable results. The 1981 budget for both the Saskatchewan and Quebec projects is estimated at \$1,820,000 with the major part of this expenditure slated for the Quebec permits.

The Company holds a 27% interest in the Conwest Group's base metal program which has farmed out several properties to Brunswick Mining and Smelting Company Limited and one property to Riocanex. Various surveys and

diamond drilling were conducted on both of the farm-out projects and exploration results were sufficiently encouraging for continuing programs in 1981. In both of the above farm-out projects the Conwest Group may elect to resume as a participant or to a lesser carried interest once certain expenditures have been made.

The Company's former gold producing property in Vauquelin Township, Quebec is under option to Soquem, who have spent in excess of \$450,000 on the property including 25,674 feet of diamond drilling in 37 drill holes. Soquem have advised that diluted drill indicated reserves are estimated at 400,000 short tons averaging 0.20 oz. gold per ton in three zones, with additional potential in the order of 250,000 tons. The 1981 budget for the property is estimated \$300,000. Your Company will receive a cash payment of \$50,000 and be entitled to a 1% royalty of gross revenue from production when the option to take over the property is exercised by Soquem; this option expires on May 31, 1983.

### Consortina Incorporated

Your Company holds a 20% interest in Consortina Incorporated, which company, until the end of 1980, operated a number of restaurants, lounges and accommodation units within the Toronto area.

On December 31, 1980, Consortina sold its operating interest in this business retaining only the real estate upon which The Ports and Ascot Inn operations were carried out. Subsequent to year-end, the Ascot Inn was sold. The Ports property is the subject of rezoning application to develop an exclusive condominium residential complex. Should the development proceed, The Ports property will be sold under the terms of an agreement in principle reached with the developer.

### General

The Company's 1,000,000 units of the Iron Bay Trust is a valuable long term asset which provides a stable, predictable cash flow to the Company. Management will be examining various opportunities in the resource sector to invest this cash flow and the Company's working capital to provide a more diversified source of earnings.

On Behalf of the Board,

MARTIN P. CONNELL,  
Chairman of the Board,

JOHN C. LAMACRAFT,  
President and Chief Executive Officer.

Toronto, Ontario,  
May 14, 1981.



# Chimo Gold Mines Limited

(Incorporated under the laws of Ontario)

## Balance Sheet as at December 31, 1980

### ASSETS

<b>Current Assets</b>	<b>1980</b>	<b>1979</b>
Cash and short term deposits . . . . .	\$ 245,995	\$ 460,029
Royalty receivable . . . . .	160,000	160,000
Accounts receivable . . . . .	52,887	6,594
	<u>458,882</u>	<u>626,623</u>
<b>Investment in Mining Companies and Properties</b>		
Shares with a quoted market value, at cost (quoted market value 1980, \$1,727,525; 1979, \$1,610,453) . . . . .	1,203,964	312,586
Units of The Iron Bay Trust, at cost less accumulated amortization of \$140,427 (1979, \$128,724) (quoted market value 1980, \$6,875,000; 1979, \$7,000,000) . . . . .	214,465	226,168
Mineral exploration interests . . . . .	1	1
	<u>1,418,430</u>	<u>538,755</u>
<b>Investment in Consortina Incorporated</b> . . . . .	<u>1,325,114</u>	<u>1,368,000</u>
<b>Other Investments</b> . . . . .		<u>30,337</u>
<b>Fixed Assets</b> , at cost less accumulated depreciation . . . . .	<u>50,113</u>	<u>1</u>
<b>Mortgages from Directors</b> , due in annual instalments of \$2,500, non-current portion . . . . .	<u>33,750</u>	<u>63,700</u>
	<u>\$ 3,286,289</u>	<u>\$ 2,627,416</u>

### LIABILITIES

<b>Current Liabilities</b>		
Accounts payable and accrued liabilities . . . . .	\$ 101,358	\$ 103,531
Income taxes payable . . . . .	30,000	
	<u>131,358</u>	<u>103,531</u>

### SHAREHOLDERS' EQUITY

<b>Capital Stock</b>		
Authorized 5,000,000 Shares, par value \$1 each		
Issued 3,371,086 Shares . . . . .	3,371,086	3,371,086
Less discount . . . . .	1,212,167	1,212,167
	<u>2,158,919</u>	<u>2,158,919</u>
<b>Retained Earnings</b> . . . . .	<u>996,012</u>	<u>364,966</u>
	<u>3,154,931</u>	<u>2,523,885</u>
	<u>\$ 3,286,289</u>	<u>\$ 2,627,416</u>

Approved by the Board

M. P. CONNELL, Director

J. C. LAMACRAFT, Director

# Chimo Gold Mines Limited

## STATEMENT OF INCOME AND RETAINED EARNINGS Year Ended December 31, 1980

	1980	1979
<b>Revenue</b>		
Royalties .....	\$ 666,200	\$ 596,300
Dividends and interest .....	39,160	23,361
Gain on sale of investments .....	108,896	165,225
Gain on sale of mineral property .....	150,000	
Gain on sale of fixed assets .....	34,999	
	<u>999,255</u>	<u>784,886</u>
<b>Expenses</b>		
Mineral exploration .....	48,078	188,406
General administrative .....	260,162	193,839
Corporate .....	15,712	23,258
Depreciation and amortization .....	14,257	11,715
	<u>338,209</u>	<u>417,218</u>
Income before income taxes .....	661,046	367,668
Income taxes .....	30,000	
<b>Net Income</b> .....	<u>631,046</u>	<u>367,668</u>
<b>Retained earnings (deficit) at beginning of year</b> .....	<u>364,966</u>	<u>(2,702)</u>
<b>Retained earnings at end of year</b> .....	\$ 996,012	\$ 364,966
<b>Earnings per share</b> .....	\$ <u>0.19</u>	\$ <u>0.11</u>

## AUDITORS' REPORT

To the Shareholders of  
Chimo Gold Mines Limited

We have examined the balance sheet of Chimo Gold Mines Limited as at December 31, 1980 and the statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada  
April 27, 1981

THORNE RIDDELL  
Chartered Accountants

# Chimo Gold Mines Limited

## STATEMENT OF CHANGES IN FINANCIAL POSITION Year Ended December 31, 1980

	1980	1979
<b>Working capital derived from</b>		
Operations . . . . .	\$ 351,408	\$ 379,383
Sale of investments . . . . .	234,489	343,494
Sale of mineral property . . . . .	150,000	
Reduction in investment in Consortina Incorporated . . . . .	42,886	29,760
Reduction in other investments . . . . .	30,336	119,639
Reduction in mortgages from directors . . . . .	29,950	5,000
Sale of fixed assets . . . . .	35,000	
	<u>874,069</u>	<u>877,276</u>
<b>Working capital applied to</b>		
Purchase of shares with a quoted market value . . . . .	1,016,970	250,280
Purchase of fixed assets . . . . .	52,667	
Repayment of term bank loan . . . . .		230,000
	<u>1,069,637</u>	<u>480,280</u>
<b>Increase (decrease) in working capital . . . . .</b>	<b>(195,568)</b>	<b>396,996</b>
<b>Working capital at beginning of year . . . . .</b>	<b>523,092</b>	<b>126,096</b>
<b>Working capital at end of year . . . . .</b>	<b>\$ 327,524</b>	<b>\$ 523,092</b>



# Chimo Gold Mines Limited

## NOTES TO FINANCIAL STATEMENTS Year Ended December 31, 1980

### 1. Summary of Significant Accounting Policies

#### (a) Investments

##### (i) Units of The Iron Bay Trust

The Iron Bay Trust owns an 80% interest in a producing mining property which is leased to Stelco Inc. until April 30, 2040. The Corporation has a 39.1% interest in the Trust, represented by 1,000,000 trust units. Since royalties are received on a units of production basis, it is the Corporation's policy to amortize its investment on this basis over total estimated production.

##### (ii) Other Investments

Other long-term investments, including the investment in Consortina Incorporated, are carried at cost or at cost less amounts written off to reflect a decline in value which is other than temporary.

Because of the number of shares held in certain companies, the quoted market values are not necessarily indicative of the value of such investments, which may be more or less than indicated by market quotations.

#### (b) Mineral exploration interests

Direct exploration expenditures and the cost of acquisition of mineral exploration interests are charged to income in the year incurred.

#### (c) Mineral resource interests

The cost of acquisition of mineral interests which contain economic mineral reserves and the cost incurred on mineral exploration interests subsequent to the determination that such interests contain economic mineral reserves are deemed to be mineral resource interests. These interests, together with development expenditures thereon, are deferred and carried as an asset to be amortized against future production. Upon disposal or abandonment, the net gain or loss related to such asset is reflected in the statement of income.

### 2. Income Taxes

At December 31, 1980 the Corporation has resource expenditures and capital cost allowances of \$606,000 which are available to reduce or eliminate income taxes that would otherwise be recorded as a charge against income of future years, the tax effect of which has not been reflected in the financial statements.

Approximately \$482,000 (1979, \$131,000) of deductions of this type were applied to eliminate income taxes that would otherwise have been recorded as a charge against income of the current year. Since reductions or eliminations of this nature are recurring on a regular basis over a number of years and are typical of the Corporation's normal business activities, they are not considered to be extraordinary in nature and are reflected as a reduction of current income taxes when realized.

### 3. Related Party Transactions

Conwest Exploration Company Limited owns 71.1% of the Corporation and consequently many of the companies within the Conwest Group of companies are related parties. As part of normal business operations the Corporation makes extensive use of Conwest's management and technical services. The Corporation's share of the cost of such services amounted to \$230,093 in 1980.

The Corporation also participates in the exploration of certain non-hydrocarbon exploration prospects with members of the Conwest Group, at costs which are proportionate to its interest, as follows:

	Cor- poration's interest	Costs incurred in 1980
Conwest Uranium Exploration Joint		
Venture . . . . .	15%	\$40,685
Other non-hydrocarbon exploration . . . . .	23%	4,050
		<u>\$44,735</u>

# CHIMO GOLD MINES LIMITED

## NOTICE OF ANNUAL MEETING OF SHAREHOLDERS JUNE 25, 1981

NOTICE IS HEREBY GIVEN that the annual meeting of shareholders of CHIMO GOLD MINES LIMITED (the "Corporation") will be held in the Simcoe A Room, The Board of Trade of Metropolitan Toronto, Third Floor, Adelaide Street West entrance, First Canadian Place, Toronto, Ontario, on Thursday, the 25th day of June, 1981, at the hour of 9:15 o'clock in the forenoon (Toronto time) for the following purposes:

1. To receive and consider the financial statements of the Corporation for the year ended December 31, 1980, together with the report of the auditors thereon;
2. To elect directors;
3. To appoint auditors and to authorize the directors to fix their remuneration; and
4. To transact such further or other business as may properly come before the meeting or any adjournment thereof.

DATED the 14th day of May, 1981.

By Order of the Board,

J. A. Patterson,  
Vice-President and Secretary.

**NOTE:** Shareholders who are unable to be present personally at the meeting are requested to sign and return, in the envelope provided for that purpose, the accompanying form of proxy for use at the meeting.

# CHIMO GOLD MINES LIMITED

## INFORMATION CIRCULAR

### MANAGEMENT SOLICITATION

This information circular is furnished in connection with A SOLICITATION OF PROXIES BY THE MANAGEMENT OF CHIMO GOLD MINES LIMITED (the "Corporation") for use at the annual meeting of the shareholders of the Corporation to be held on Thursday, June 25, 1981 at 9:15 o'clock in the forenoon (Toronto time) in the Simcoe A Room, The Board of Trade of Metropolitan Toronto, Third Floor, Adelaide Street West entrance, First Canadian Place, Toronto, Ontario, for the purposes set out in the notice of meeting. Solicitation of proxies will be primarily by mail but proxies may be solicited personally or by telephone by directors, officers or employees of the Corporation or by such agents as Management may designate. The cost of solicitation will be borne by the Corporation.

The form of proxy forwarded to shareholders with the notice of meeting confers discretionary authority upon the proxy nominees with respect to amendments or variations of matters identified in the notice of meeting or other matters which may properly come before the meeting.

The shares represented by proxies in favour of Management nominees will be voted at the meeting.

Management knows of no matters to come before the meeting other than the matters referred to in the notice of meeting. However, if any other matters not now known to Management should properly come before the meeting the shares represented by the proxies in favour of Management nominees will be voted on such matters in accordance with the best judgment of the proxy nominee.

Proxies given by shareholders for use at the meeting may be revoked at any time prior to their use. In addition to revocation in any other manner permitted by law, a proxy may be revoked by an instrument in writing executed by the shareholder or by his attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and deposited either at the head office of the Corporation at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used or with the chairman of such meeting on the day of the meeting, or adjournment thereof, and upon either of such deposits the proxy is revoked.

### VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The authorized capital of the Corporation is \$5,000,000 divided into 5,000,000 shares with a par value of \$1 each of which 3,371,086 shares are issued and outstanding as fully paid and non-assessable. Holders of outstanding shares of record at the close of business on June 23, 1981 will be entitled to one vote per share at the meeting.

To the knowledge of the directors and senior officers of the Corporation, the only person who beneficially owns, directly or indirectly, equity shares of the Corporation carrying more than 10% of the voting rights attached to all equity shares of the Corporation is Conwest Exploration Company Limited ("Conwest") which beneficially owns 2,398,473 shares, being 71.1% of the outstanding shares of the Corporation.

### ELECTION OF DIRECTORS

Each of the persons whose name appears hereunder is proposed to be elected as a director of the Corporation to serve until the next annual meeting of shareholders or until his successor is elected or appointed. It is intended that the shares represented by proxies in favour of Management nominees will be voted in favour of the election of such persons as directors of the Corporation. In the event that any vacancies occur in the slate of such nominees, it is intended that discretionary authority shall be exercised to vote such proxies for the election of any other person or persons nominated by Management as directors.



<u>Name and Office Held</u>	<u>Principal Occupation</u>	<u>Year first Elected or Appointed as a Director</u>	<u>Common Shares of the Corporation Beneficially Owned Directly or Indirectly as at May 14, 1981</u>
Martin P. Connell, (1) Chairman of the Board and Director	Chairman of the Board of Conwest Exploration Company Limited (a resource exploration company)	1971	1
Colin C. Coolican, Executive Vice-President and Director	Executive Vice-President of Conwest Exploration Company Limited (a resource exploration company)	1980	2
Donald J. Hains, (2) Director	President, Lurgi of Canada Limited (an engineering company)	1976	1
John C. Lamacraft, (2) President and Director (3)	President of Conwest Exploration Company Limited and International Mogul Mines Limited (resource exploration companies)	1973	1
Robert J. Metcalfe, (2) Director	Partner, Lang, Michener, Cranston, Farquharson & Wright (Barristers & Solicitors)	1978	1

NOTE:

- (1) Conwest is an associate of Mr. M. P. Connell. Reference is made to "Voting Shares and Principal Holders Thereof" above for particulars of the shareholdings of Conwest in the Corporation.
- (2) The Corporation is required to have an Audit Committee. Each of the above noted nominees is presently a member of that Committee.
- (3) The Corporation has previously provided assistance to Mr. Lamacraft to purchase a house for his own occupation and since the commencement of the Corporation's 1980 financial year, the maximum amount of such indebtedness to the Corporation was \$38,750, of which \$36,250 remains outstanding. This loan is fully secured, non-interest bearing and is repayable at the rate of \$2,500 per annum.

## REMUNERATION OF MANAGEMENT

### DIRECTORS' AND OFFICERS' REMUNERATION FROM THE CORPORATION WHICH HAS NO SUBSIDIARIES NATURE OF REMUNERATION

	<u>Aggregate Remuneration</u>	<u>Pension Benefits</u>	<u>Retirement Benefits</u>
DIRECTORS (5)			
From the Corporation	\$14,900	Nil	Nil
5 SENIOR OFFICERS:	70,625	Nil	Nil
OFFICERS RECEIVING OVER \$50,000			
From the Corporation	N/A	Nil	Nil
	\$85,525	Nil	Nil

Central Patricia Limited pays substantially all of the remuneration of directors and senior officers of certain related companies and is reimbursed by these companies. During the financial year ended December 31, 1980 the Corporation's share of the amount so paid was \$60,625 of which \$18,250 is included in the total shown above.

## **APPOINTMENT OF AUDITORS**

Management proposes to nominate Thorne Riddell, the present auditors, as auditors of the Corporation to hold office until the close of the next annual meeting of shareholders. It is intended that the shares represented by proxies in favour of Management nominees will be voted in favour of the appointment of Thorne Riddell as auditors of the Corporation and the authorization of the directors of the Corporation to fix their remuneration.

DATED May 14, 1981.







